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FISCAL IMPACT STATEMENT

LS 6790

BILL NUMBER: SB 345

NOTE PREPARED: Jan 3, 2004

BILL AMENDED:

SUBJECT: Property Tax Deduction.

FIRST AUTHOR: Sen. Waterman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a property tax deduction for buildings constructed using materials in which at least 60% of the materials' dry weight consists of coal combustion products.

Effective Date: July 1, 2004.

Explanation of State Expenditures: Beginning in 2005 pay 2006 this bill provides a 10% deduction from the assessed value of a building “designed and constructed to systematically use qualified materials throughout the building” if the building has been determined to be qualified for the deduction by the Center for Coal Technology Research. If the owner applies for the deduction by April 10 of the assessment year and the Center fails to act before May 10, the building is considered to be certified for the deduction. The deduction is not limited to new construction.

In CY 1999 approximately 42% of coal combustion products produced in Indiana were reused, a total of 3.5M tons of reused products. Nationally, 40.5 M tons (33%) of 121 M tons of coal combustion products produced in CY 2001 were reused. Coal combustion products are used in many products used in construction, including drywall, Portland cement, fill materials, paints, carpeting, and synthetic tiles. The most common use is in cement or concrete, particularly for highways. The Federal Energy Policy Act of 2002 calls for the increased use of coal combustion products in federally funded projects involving cement or concrete procurement; the state of California’s Department of Transportation now requires that fly ash comprise 25% of concrete used in state-funded paving projects.

The large quantity of coal combustion products currently used nationally suggests that there may be a substantial number of buildings either already in existence or scheduled to be built before March 1, 2005,

which could qualify for the deduction. The number and types of these buildings cannot be currently estimated.

At this time the Center for Coal Technology Research, which is housed by the Purdue Institute for Interdisciplinary Engineering Studies, consists of a part-time director whose current responsibility is to produce two reports. The Center will also prepare public education programs and review coal research grant applications. The Center, under IC 6-1.1-44-4 (effective January 1, 2004), will approve products whose manufacturers may be able to claim a deduction on the assessed value of depreciable personal property used in the manufacture of those products. The current staffing level for the Center makes it unlikely that the Center would be able to process many of the applications for the deduction unless the Center received additional funding. The result would be that many, if not all, applications for the deduction would be certified by default.

Explanation of State Revenues: The reduction in assessed value reduces state revenues from the State Fair and State Forestry funds, but the amount of the reduction cannot be estimated at this time.

Explanation of Local Expenditures:

Explanation of Local Revenues: A qualified building is eligible for the deduction for every following year, although a new application for the deduction must be filed by March 31 of each assessment year. The deduction is fixed at 10% of the assessed value of the qualified building. In each assessment year some proportion of new construction will qualify for the deduction. Beginning in CY 2006 (2005 pay 2006) there will be annual adjustments of real property assessed value and there will be a general reassessment for CY 2010 (2009 pay 2010). Real property assessments will vary from year to year. The amount of each deduction will change with the change in the building's assessment. Each year, the statewide total deduction would change as a result of (1) assessment updates and (2) newly qualified properties.

Total local revenues would remain unchanged, except for cumulative funds where the fund revenue would be reduced by the product of the deduction amount multiplied by the fund's tax rate.

The reduction in assessed value will reduce revenues for local cumulative funds, but the amount of the reduction cannot be estimated.

State Agencies Affected: Department of Local Government Finance; State Fair Board; Department of Natural Resources

Local Agencies Affected: County Auditors and Assessors; Local government units with a cumulative fund

Information Sources: Center for Coal Technology Research at Purdue University; Ohio State University Department of Civil and Environmental Engineering and Geodetic Science; National Energy Technology Laboratory; R. James Meiers, Indianapolis Power and Light, (317) 261-5185.

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